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Legislative Audit Division

State of Montana



Report to the Legislature

March 2001

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 2000

Office of the Governor and Lieutenant Governor

We issued an unqualified opinion on the office's financial schedules. Our report contains seven recommendations relating to:

- ▶ Payout of compensatory time.
- ▶ Overtime hours.
- ▶ Untimely deposits.
- ▶ Patient accounts.
- ▶ Compliance with board appointment and program review laws.
- ▶ Compliance with policies and procedures over the use of purchasing cards.

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Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 1999, was issued on March 30, 2000. The Single Audit Report for the two fiscal years ended June 30, 2001, will be issued by March 31, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
Phone (406) 444-3616

Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

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James Gillett, Financial-Compliance Audit

March 2001

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 2000. We issued an unqualified opinion on the financial schedules of the office. Our report contains seven recommendations regarding payout of compensatory time, underpaid overtime hours, untimely deposits, patient accounts, and improving compliance with state laws. The office's response is contained at the end of the report.

We thank the Governor, Lieutenant Governor, and their staffs for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2000

Office of the Governor and Lieutenant Governor

Members of the audit staff involved in this audit were Laurie H. Evans, Brenda Kedish, Lorry Parriman, and Vickie Rauser.

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Elected and Administrative Officials

| | | |
|---|------------------------------------|----------------|
| Office of the Governor and Lieutenant Governor | Governor | Judy Martz |
| | Lieutenant Governor | Karl Ohs |
| | Chief of Staff | Ed Bartlett |
| | Centralized Services Administrator | Mary Jo Murray |

For additional information concerning the Office of the Governor and Lieutenant Governor contact:

Anastasia Burton, Press Secretary
Governor's Office
PO Box 200801
Helena MT 59620-0801
(406) 444-3111

Report Summary

Governor's Office

This report contains the results of our financial-compliance audit of the Office of the Governor and Lieutenant Governor (office) for the two fiscal years ended June 30, 2000. The previous audit report contained five recommendations to the office. Of the four recommendations still applicable to the office, three were implemented and one was not implemented.

This report contains seven recommendations.

We issued an unqualified opinion on the financial schedules contained in this report. This means the reader can rely on the presented financial information and the supporting data on the state's accounting system.

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office comply with regulations and not pay exempt employees for compensatory time balances upon termination Page 6

Office Response: Do not concur. See page B-3.

Recommendation #2

We recommend the office pay non-exempt employees for overtime worked. Page 6

Office Response: Concur. See page B-3.

Recommendation #3

We recommend the office work with the Department of Administration to identify and implement cost-effective methods for processing payroll in accordance with federal and state withholding requirements Page 7

Office Response: Concur. See page B-3.

Report Summary

Recommendation #4

We recommend the office deposit money in accordance with state law Page 8

Office Response: Concur. See page B-4.

Recommendation #5

We recommend the office:

- A. Work with the Social Security Administration, the Railroad Retirement Board, and the U.S. Department of Veterans Affairs to resolve erroneous payments of representative payee benefit balances.

Office Response: Concur. See page B-4.

- B. Reconcile the patient ledger accounts and resolve all discrepancies. Page 10

Office Response: Concur. See page B-4.

Recommendation #6

We recommend the office comply with state law relating to board appointments and requests for privatization review Page 11

Office Response: Concur. See page B-4.

Recommendation #7

We recommend the office comply with policies and procedures established by the Department of Administration to control purchasing card use. Page 12

Office Response: Concur. See page B-4.

Introduction

Introduction

We performed a financial-compliance audit of the Office of the Governor and Lieutenant Governor (office) for the two fiscal years ended June 30, 2000. The objectives of the audit were to:

1. Determine if the office complied with applicable federal and state laws and regulations.
2. Recommend improvements in the internal and management controls of the office.
3. Determine if the financial schedules present fairly the office's results of operations for each of the two fiscal years ended June 30, 2000.
4. Determine the implementation status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed the cost to implement the recommendations and believe the cost is not significant to the office. Areas of concern regarding compliance with laws and regulations and state accounting policy deemed not to have a significant effect on the successful operations of the office's programs are not specifically included in this report, but have been discussed with management.

Background

The office was created upon acceptance of Montana into the Union in 1889 and is provided for in Article VI of the Montana Constitution. The following paragraphs discuss the various functions administered by the office.

Executive Office - provides administrative, legal, press support, and centralized services support for the office. The executive office oversees and directs the activities of executive branch agencies. In addition, the executive office administers special programs that impact citizens and governmental concerns. These special programs include the Flathead Basin Commission and the Montana Consensus Council.

Lieutenant Governor - performs duties prescribed by law and those delegated by the Governor. The Lieutenant Governor serves as the liaison between state and local government and assists the Governor with appointments to various boards and commissions.

Introduction

Office of Budget and Program Planning - assists the Governor in planning, preparing, and administering the state budget, develops and evaluates alternative program plans for providing state government services; and acts as the lead executive branch agency for compliance with the federal Single Audit Act.

Citizens' Advocate Office - provides accessibility to state government for Montana citizens by providing information to citizens and acting as a referral service to state agencies.

Mental Disabilities Board of Visitors - protects the rights of the mentally ill and the developmentally disabled. The five-member board also was custodian of specific patient accounts at the Montana State Hospital until April 2000.

Mansion Maintenance - maintains the Governor's official residence and provides security for the Governor and the Governor's family.

Air Transportation - provides transportation for the Governor and the Governor's staff. The Governor's aircraft is available to other state agencies for a fee. Fee revenues are used for aircraft operating and maintenance costs.

Coordinator of Indian Affairs - serves as the Governor's liaison with the state Indian tribes, provides information and policy support on issues confronting Indians of Montana, and advises and makes recommendations to the legislative and executive branches on these issues. In addition, the State-Tribal Economic Development Commission, which is administratively attached to the Governor's Office, was established during our audit period. Responsibilities of the commission include assisting, promoting, encouraging, developing, and advancing economic prosperity and employment on Indian reservations in Montana.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the prior audit of the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 1998.

The report contained five recommendations. Of the four recommendations still applicable to the office, three were implemented, and one recommendation was not implemented.

The recommendation not implemented relates to the timely deposit of monies in accordance with state law and is further discussed on page 8. The recommendation no longer applicable relates to a state law requiring the establishment of an account for the Flathead Basin Commission, that was repealed.

Findings and Recommendations

Compensatory Time

During our audit period, 19 office employees were appointed by, and served at the pleasure of, the Governor. Four of these employees received a payout of compensatory time upon termination. In addition, five of six terminating directors of state departments, who were also appointed by and served at the pleasure of the Governor, received a payout of compensatory time upon termination. Upon advice of the State Personnel Division of the Department of Administration, the Governor's Office authorized the payout of compensatory time to these staff, limited to a maximum of 120 hours. During an audit of another elected official, we also noted compensatory time payout to seven exempt employees.

These positions are exempt from the Fair Labor Standards Act (FLSA). Under the FLSA, exempt employees may earn compensatory time on an hour-for-hour basis when they work more than 40 hours per week. This accrued time may be taken as approved paid time off at a later date. According to the Administrative Rules of Montana (ARM) 2.21.1812, exempt employees, who have compensatory time balances at the termination of employment, shall not receive a lump sum payment for compensatory time not used. The total payout of compensatory time to office employees and department directors was \$20,655.

State Personnel Division officials indicated the rules relating to compensatory time do not apply to the office's personal staff or department heads. They indicated state law exempts these employees from the general provisions of state personnel law. Therefore, they concluded that because the rules relating to compensatory time were adopted under the authority of the general provisions, the employees were not subject to these rules. We agree that the law exempts these employees. However, because the exempt compensatory time rules include one provision specifically related to personal staff, we believe this indicates concession by the appointing officials of applicability of the rules to these employees.

Findings and Recommendations

Recommendation #1

We recommend the office comply with state regulations and not pay exempt employees for compensatory time balances upon termination.

Overtime Pay

We noted one instance where an employee worked full-time for one state agency and worked part-time for the Governor's Office. The Governor's Office was unaware the individual was employed full-time at another state agency and paid the employee at the regular rate. The Fair Labor Standards Act (FLSA) controls the payment of overtime for this employee and other similarly-situated employees. Prior to November 8, 2000, the employee was considered non-exempt from the overtime provisions of the FLSA, which means the employee should have received overtime pay for all hours worked above 40 hours per week. After that date, the employee has been treated as an FLSA exempt employee and does not receive overtime pay. Because the employee's work at the Governor's Office is completely independent of his full-time FLSA exempt position, it is acceptable to provide additional compensation to the employee. The employee should have been paid an additional \$2,762.

The office should reimburse the employee the difference between his regular and overtime rate from September 25, 1999 (employment date with the Governor's Office) through November 7, 2000, when his FLSA status changed.

Recommendation #2

We recommend the office pay non-exempt employees for overtime worked.

Findings and Recommendations

Paycheck Accuracy

The state of Montana implemented the Human Resource Management System (HRMS) in April 1999 as part of the Statewide Accounting, Budgeting, and Human Resources System (SABHRS). With the implementation of HRMS, office personnel began to experience difficulties in processing payroll for the employees working in more than one position.

In HRMS, each employee can have multiple employee and benefit records. Office personnel learned that when one paycheck is issued, leave balances and costs are automatically tied to the first benefit record. For leave costs to allocate between positions, HRMS must be configured to issue multiple paychecks for each employee. This is accomplished by using separate employee and benefit records for each position. During the audit period, four employees received more than one paycheck. Personnel with the SABHRS Support Bureau, Department of Administration, have confirmed that agencies needing to track leave costs by position must process more than one paycheck per employee unless they are able to develop an alternative method for obtaining that information.

The state is required to withhold state and federal income tax from an employee's paycheck according to the information documented on the employee's Form W-4 and the established withholding rates. HRMS considers each paycheck as belonging to a separate employee and is unable to combine the gross wages from both paychecks when determining tax withholdings. As a result, state payroll withholds less federal and state income tax for these individuals than it should. SABHRS personnel confirmed that this situation occurs when an agency chooses to issue two or more paychecks and indicated these situations do not occur when a single paycheck is issued.

Recommendation #3

We recommend the office work with the Department of Administration to identify and implement cost-effective methods for processing payroll in accordance with federal and state withholding requirements.

Findings and Recommendations

Cash Deposits

We recommended the office deposit money in accordance with state law in our prior audit of the office. State law requires all money that is collected be deposited daily with the State Treasurer when coin and currency exceeds \$100 or the accumulated amount of collections exceed \$500. The law is designed to maximize interest earnings and to help prevent loss or theft of monies the state has received.

In fiscal year 1998-99, we noted 3 of 35 instances where deposits totaling \$51,190 were deposited one to four days late. We reviewed fiscal year 1999-00 deposits and noted 8 of 49 instances where deposits totaling \$34,840 were deposited one to four days late. Personnel indicated the extensive workload of the employees and a relatively small staff contributed to the late deposits. By not depositing the money in accordance with state law, the office increases the potential for theft. Office personnel should review the receipt log book frequently to determine when deposits need to be made.

Recommendation #4

We recommend the office deposit money in accordance with state law.

Board of Visitors - Patient Accounts

The Social Security Administration, the Railroad Retirement Board, and the U.S. Department of Veterans Affairs each have a representative payee program. This program is designed to ensure individuals who are eligible for benefit payments, but do not possess the faculties necessary to manage those benefits, have an advocate for their needs. These agencies' regulations address selection of representative payees, receipt of benefits, disbursement of benefits, investment of balances, and transfer of representative payee designation.

Since the 1980s, the Mental Disabilities Board of Visitors has applied for representative payee status on behalf of Montana State

Findings and Recommendations

Hospital patients who had no one else to be their representative payee. In late 1999, the board decided it would no longer be the representative payee due to concerns about conflicts of interest. The board provides legal assistance to patients, and that legal assistance can include disagreements about the use of the benefits payments.

Early in 2000, the board contacted the applicable federal agencies and assisted with identification of other possible representative payees. Federal regulations provide that when another representative payee has been assigned, any remaining funds held on behalf of the individual are to be returned to the applicable federal agency, e.g., Social Security Administration.

During the closeout of these patient accounts, most of which took place by June 30, 2000, board staff made several errors. These included not posting interest earnings to the individuals' ledgers (all funds were commingled in an interest-bearing account); posting assessed administrative fees to the ledgers but not remitting those fees to the Governor's Office; posting deposits to ledger pages with no corresponding deposits to the bank account; and posting other miscellaneous transactions in error.

As a result of these errors, some final remittances to patients and/or the federal government were too high, others were too low, and the Governor's Office did not receive all of the administrative fees to which it was entitled. An analysis of the patients' ledgers indicates overpayments totaling \$1,113 and underpayments totaling \$399. The Governor's Office did not receive \$784 of administrative fees, although the office indicated it is not cost effective to pursue recovery of these funds. In addition, there is an unreconciled amount of \$70 between the bank account and the accounting records, indicating that some patients whose accounts had been closed earlier may also have received more funds, or had more funds remitted to the federal agency on their behalf, than they should have.

The bank account maintained by the board for the purpose of managing these monies was closed by September 30, 2000. The

Findings and Recommendations

Governor's Office, with the board's assistance, should work with the federal agencies to resolve the erroneous payments.

Recommendation #5

We recommend the office:

- A. Work with the Social Security Administration, the Railroad Retirement Board, and the U.S. Department of Veterans Affairs to resolve erroneous payments of representative payee benefit balances.**

- B. Reconcile the patient ledger accounts and resolve all discrepancies.**

State Compliance

We tested compliance with state laws and regulations related to office operations. The following items are instances of noncompliance with state law.

- ▶ Section 90-5-201, MCA, creates the Western Interstate Nuclear Board. The board shall be composed of one member from each party state, appointed in accordance with the law of the state which he represents. Section 90-5-202, MCA, states the governor shall appoint the board member, who shall report directly to the governor. The Governor has not appointed a board member as required by state law.

- ▶ According to section 20-25-303, MCA, there is a local executive board within each county in which a university system campus is located. The members of these boards are appointed by the governor. Local executive board members for the counties in which the Helena College of Technology and the Great Falls College of Technology are located have never been appointed by the Governor.

- ▶ The Office of Budget and Program Planning shall submit a request for privatization review each biennium of at least two of the programs identified from the listing of all programs that are accounted for in an enterprise or internal service fund. The office must submit this request to the Legislative Audit

Findings and Recommendations

Committee according to section 2-8-304(3)(b), MCA. The office did not submit a request by July 1, 1999, as required by state law.

Recommendation #6

We recommend the office comply with state law relating to board appointments and requests for privatization review.

Purchasing Cards

Several employees of the office use the state purchasing credit card system for purchases under \$5,000. The state of Montana Purchasing Cardholder Manual states the cardholder will retain all sales slips, register receipts, and purchasing card slips for management approval of charges. State purchasing policy requires each agency to establish control policies and procedures to ensure all credit card expenditures are properly receipted and approved by office management personnel. We noted the office has not maintained an adequate control system to ensure credit card purchases are authorized and supported with vendor receipts.

The office uses the Department of Administration's policies and procedures manual along with the Cardholder Agreement to guide employees' card use; there are no policies specific to the office. Through our review of the purchasing cards we noted areas of noncompliance with Department of Administration's policies and procedures which include:

- ▶ One case where the card was shared by two individuals.
- ▶ Two instances where the cardholder agreement was not signed and returned by the cardholder, as required by Department of Administration policy.
- ▶ One situation where the cardholder signed the agreement but was not issued a Department of Administration policies and procedures manual or advised of allowable purchases.

Findings and Recommendations

- Twenty-two out of 194 transactions tested in fiscal years 1998-99 and 1999-00 where the purchases were not supported with receipts. The transactions without receipts totaled \$4,268.

Recommendation #7

We recommend the office comply with policies and procedures established by the Department of Administration to control purchasing card use.

Independent Auditor's Report & Office Financial Schedules

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Governor's Office for each of the two fiscal years ended June 30, 2000. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances/property held in trust of the Governor's Office for each of the two fiscal years ended June 30, 2000, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

February 7, 2001

GOVERNOR'S OFFICE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

| | General Fund | Special Revenue Fund | Agency Fund |
|---|------------------|-------------------------|------------------|
| FUND BALANCE: July 1, 1999 | \$ (168,554) | \$ 485,731 | \$ 0 |
| PROPERTY HELD IN TRUST: July 1, 1999 | | | \$ 45,172 |
| ADDITIONS | | | |
| Budgeted Revenues & Transfers-In | 52 | 271,788 | |
| NonBudgeted Revenues & Transfers-In | 264 | 2,077 | |
| Direct Entries to Fund Balance | 3,001,993 | 324,314 | |
| Additions To Property Held in Trust | | | 219,817 |
| Total Additions | <u>3,002,309</u> | <u>598,179</u> | <u>219,817</u> |
| REDUCTIONS | | | |
| Budgeted Expenditures & Transfers-Out | 3,049,556 | 341,166 | |
| NonBudgeted Expenditures & Transfers-Out | | 4,731 | |
| Prior Year Expenditures & Transfers-Out Adjustments | (2,341) | (4,633) | |
| Reductions in Property Held in Trust | | | 239,966 |
| Total Reductions | <u>3,047,215</u> | <u>341,264</u> | <u>239,966</u> |
| FUND BALANCE: June 30, 2000 | \$ (213,460) | \$ 742,646 | \$ 0 |
| PROPERTY HELD IN TRUST: June 30, 2000 | | | <u>\$ 25,023</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

| | General Fund | Special Revenue Fund | Agency Fund |
|---|--------------|----------------------|-------------|
| FUND BALANCE: July 1, 1998 | \$ (118,247) | \$ 627,402 | \$ 0 |
| PROPERTY HELD IN TRUST: July 1, 1998 | | | \$ 47,161 |
| ADDITIONS | | | |
| Budgeted Revenues & Transfers-In | 81 | 219,801 | |
| Nonbudgeted Revenues & Transfers-In | 698 | 17,000 | |
| Prior Year Revenues & Transfers-In Adjustments | 36 | | |
| Cash Transfers In (Out) | 2,864,580 | (88,978) | |
| Additions to Property Held in Trust | | | 253,115 |
| Total Additions | 2,865,395 | 147,823 | 253,115 |
| REDUCTIONS | | | |
| Budgeted Expenditures & Transfers-Out | 2,913,241 | 282,568 | |
| Nonbudgeted Expenditures & Transfers-Out | | 12,038 | |
| Prior Year Expenditures & Transfers-Out Adjustments | 2,461 | (5,112) | |
| Reductions to Property Held in Trust | | | 255,104 |
| Total Reductions | 2,915,702 | 289,494 | 255,104 |
| FUND BALANCE: June 30, 1999 | \$ (168,554) | \$ 485,731 | \$ 0 |
| PROPERTY HELD IN TRUST: June 30, 1999 | | | \$ 45,172 |

This schedule is prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

| | General Fund | Special Revenue Fund | Total |
|---|-----------------|----------------------|------------------|
| TOTAL REVENUES & TRANSFERS-IN BY CLASS | | | |
| Taxes | \$ 264 | \$ 63 | \$ 327 |
| Charges for Services | | 164,753 | 164,753 |
| Investment Earnings | | 7,018 | 7,018 |
| Miscellaneous | 52 | | 52 |
| Grants, Contracts, Donations and Abandonments | | 91,919 | 91,919 |
| Federal | | 10,112 | 10,112 |
| Total Revenues & Transfers-In | <u>316</u> | <u>273,865</u> | <u>274,181</u> |
| Less: Nonbudgeted Revenues & Transfers-In | 264 | 2,077 | 2,341 |
| Actual Budgeted Revenues & Transfers-In | 52 | 271,788 | 271,840 |
| Estimated Revenues & Transfers-In | 1,000 | 238,065 | 239,065 |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ (948)</u> | <u>\$ 33,723</u> | <u>\$ 32,775</u> |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS | | | |
| Charges for Services | | \$ 55,651 | \$ 55,651 |
| Investment Earnings | | (7,995) | (7,995) |
| Sale of Documents, Merchandise and Property | | (500) | (500) |
| Miscellaneous | | (448) | (448) |
| Grants, Contracts, Donations and Abandonments | | (9,386) | (9,386) |
| Federal | | (4,547) | (4,547) |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ (948)</u> | <u>\$ 33,723</u> | <u>\$ 32,775</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

| | General Fund | Special Revenue Fund | Total |
|---|--------------|----------------------|--------------|
| TOTAL REVENUES & TRANSFERS-IN BY CLASS | | | |
| Charges for Services | \$ 40 | \$ 68,177 | \$ 68,177 |
| Sale of Documents, Merchandise and Property | 775 | 142,970 | 142,970 |
| Miscellaneous | | 25,654 | 25,654 |
| Grants, Contracts, Donations and Abandonments | | 237,616 | 237,616 |
| Federal | | | |
| Total Revenues & Transfers-In | 815 | 236,801 | |
| Less: | | | |
| Nonbudgeted Revenues & Transfers-In | 698 | 17,000 | 17,698 |
| Prior Year Revenues & Transfers-In Adjustments | 36 | 36 | 36 |
| Actual Budgeted Revenues & Transfers-In | 81 | 219,801 | 219,882 |
| Estimated Revenues & Transfers-In | 1,000 | 391,147 | 392,147 |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | \$ (919) | \$ (171,346) | \$ (172,265) |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS | | | |
| Charges for Services | \$ (460) | \$ (88,577) | \$ (88,577) |
| Sale of Documents, Merchandise and Property | (459) | (460) | (460) |
| Miscellaneous | | (84,289) | (84,289) |
| Grants, Contracts, Donations and Abandonments | | 1,520 | 1,520 |
| Federal | | | |
| Budgeted Revenues & Transfers-In Over (under) Estimated | \$ (919) | \$ (171,346) | \$ (172,265) |

This schedule is prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

| | Citizens Advocate Office | Mental Disabilities Board of Visitors | Total |
|---|--------------------------------|---|---------------------|
| PROGRAM (SUB-CLASS) EXPENDITURES & TRANSFERS-OUT | | | |
| PERSONAL SERVICES | | | |
| Salaries | \$ 52,749 | \$ 146,529 | \$ 1,993,851 |
| Employee Benefits | - 14,773 | - 36,466 | - 454,275 |
| Total | 67,522 | 182,995 | 2,448,126 |
| Operating Expenses | | | |
| Other Services | 2,071 | 18,556 | 256,172 |
| Supplies & Materials | 207 | 12,091 | 135,761 |
| Communications | 9,137 | 10,619 | 78,519 |
| Travel | | 19,666 | 140,771 |
| Rent | | 2,760 | 106,883 |
| Repair & Maintenance | 199 | 4,135 | 117,881 |
| Other Expenses | - 704 | - 4,751 | - 91,579 |
| Total | 12,318 | 72,578 | 927,566 |
| Equipment & Intangible Assets | | | |
| Equipment | | | 12,787 |
| Total | | | 12,787 |
| Total Expenditures & Transfers-Out | \$ 79,840 | \$ 255,573 | \$ 3,388,479 |
| EXPENDITURES & TRANSFERS-OUT BY FUND | | | |
| General Fund | \$ 65,649 | \$ 218,751 | \$ 3,047,215 |
| Special Revenue Fund | - 14,191 | - 36,822 | - 341,264 |
| Total Expenditures & Transfers-Out | 79,840 | 255,573 | 3,388,479 |
| Less: Nonbudgeted Expenditures & Transfers-Out | | | 4,731 |
| Prior Year Expenditures & Transfers-Out Adj. | | 11 | (6,974) |
| Actual Budgeted Expenditures & Transfers-Out | 79,840 | 255,562 | 3,390,722 |
| Budget Authority | 85,322 | 266,249 | 6,544,995 |
| Unspent Budget Authority | \$ 5,482 | \$ 10,687 | \$ 3,154,273 |
| UNSPENT BUDGET AUTHORITY BY FUND | | | |
| General Fund | \$ 4,734 | \$ 8,635 | \$ 1,378,792 |
| Special Revenue Fund | - 748 | - 2,052 | - 1,775,481 |
| Unspent Budget Authority | \$ 5,482 | \$ 10,687 | \$ 3,154,273 |

This schedule is prepared from the Statewide Accounting beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

| | Program (Subclass) Not Specified | Executive Office Program | Mansion Maintenance Program | Air Transportation Program | Office of Budget & Program Planning | Indian Affairs | Lieutenant Governor | Citizens Advocate Office | Mental Disabilities Board of Visitors | Total | |
|---|--|-----------------------------|-----------------------------------|----------------------------------|---|---------------------|------------------------|--------------------------------|---|-------------------|---------------------|
| PROGRAM (SUB-CLASS) EXPENDITURES & TRANSFERS-OUT | | | | | | | | | | | |
| PERSONAL SERVICES | | | | | | | | | | | |
| Salaries | | \$ 780,378 | \$ 32,972 | \$ 33,673 | \$ 739,281 | \$ 62,320 | \$ 145,949 | \$ 52,749 | \$ 146,529 | \$ 1,993,851 | |
| Employee Benefits | | 177,678 | 12,007 | 4,835 | 167,270 | 15,857 | 25,389 | 14,773 | 36,466 | 454,275 | |
| Total | | <u>958,056</u> | <u>44,979</u> | <u>38,508</u> | <u>906,551</u> | <u>78,177</u> | <u>171,338</u> | <u>67,522</u> | <u>182,995</u> | <u>2,448,126</u> | |
| Operating Expenses | | | | | | | | | | | |
| Other Services | | 173,680 | 1,579 | 6,616 | 45,428 | 3,387 | 4,855 | 2,071 | 18,556 | 256,172 | |
| Supplies & Materials | \$ 44 | 47,934 | 15,922 | 34,734 | 19,261 | 4,780 | 788 | 207 | 12,091 | 135,761 | |
| Communications | | 42,813 | 377 | 1,124 | 7,921 | 3,427 | 3,101 | 9,137 | 10,619 | 78,519 | |
| Travel | 4,687 | 61,436 | | 22,716 | 5,247 | 9,973 | 17,046 | | 19,666 | 140,771 | |
| Rent | | 56,300 | | | 32,123 | 6,930 | 8,770 | | 2,760 | 106,883 | |
| Repair & Maintenance | | 13,292 | 15,429 | 80,492 | 2,899 | 649 | 786 | 199 | 4,135 | 117,881 | |
| Other Expenses | | 46,792 | 1,739 | 1,703 | 31,745 | 1,690 | 2,455 | 704 | 4,751 | 91,579 | |
| Total | | <u>4,731</u> | <u>442,247</u> | <u>35,046</u> | <u>147,385</u> | <u>144,624</u> | <u>30,836</u> | <u>37,801</u> | <u>12,318</u> | <u>72,578</u> | <u>927,566</u> |
| Equipment & Intangible Assets | | | | | | | | | | | |
| Equipment | | 12,787 | | | | | | | | 12,787 | |
| Total | | <u>12,787</u> | | | | | | | | <u>12,787</u> | |
| Total Expenditures & Transfers-Out | | <u>\$ 4,731</u> | <u>\$ 1,413,090</u> | <u>\$ 80,025</u> | <u>\$ 185,893</u> | <u>\$ 1,051,175</u> | <u>\$ 109,013</u> | <u>\$ 209,139</u> | <u>\$ 79,840</u> | <u>\$ 255,573</u> | <u>\$ 3,388,479</u> |
| EXPENDITURES & TRANSFERS-OUT BY FUND | | | | | | | | | | | |
| General Fund | | \$ 1,150,031 | \$ 80,025 | \$ 167,329 | \$ 1,051,175 | \$ 105,116 | \$ 209,139 | \$ 65,649 | \$ 218,751 | \$ 3,047,215 | |
| Special Revenue Fund | | 263,059 | | 18,564 | | 3,897 | | 14,191 | 36,822 | 341,264 | |
| Total Expenditures & Transfers-Out | | <u>4,731</u> | <u>1,413,090</u> | <u>80,025</u> | <u>185,893</u> | <u>1,051,175</u> | <u>109,013</u> | <u>209,139</u> | <u>79,840</u> | <u>255,573</u> | <u>3,388,479</u> |
| Less: Nonbudgeted Expenditures & Transfers-Out | | 4,731 | | | | | | | | 4,731 | |
| Prior Year Expenditures & Transfers-Out Adjustments | | | (4,087) | 104 | (3,380) | | | | 11 | (6,974) | |
| Actual Budgeted Expenditures & Transfers-Out | | 0 | 1,417,177 | 79,921 | 189,273 | 1,051,175 | 109,013 | 208,761 | 79,840 | 255,562 | 3,390,722 |
| Budget Authority | | 0 | 1,530,099 | 80,609 | 192,353 | 2,963,075 | 1,211,971 | 215,317 | 85,322 | 266,249 | 6,544,995 |
| Unspent Budget Authority | | \$ 0 | \$ 112,922 | \$ 688 | \$ 3,080 | \$ 1,911,900 | \$ 1,102,958 | \$ 6,556 | \$ 5,482 | \$ 10,687 | \$ 3,154,273 |
| UNSPENT BUDGET AUTHORITY BY FUND | | | | | | | | | | | |
| General Fund | | \$ 36,344 | \$ 688 | \$ 3,080 | \$ 1,311,900 | \$ 6,855 | \$ 6,556 | \$ 4,734 | \$ 8,635 | \$ 1,378,792 | |
| Special Revenue Fund | | 76,578 | | | 600,000 | 1,096,103 | | 748 | 2,052 | 1,775,481 | |
| Unspent Budget Authority | | <u>0</u> | <u>\$ 112,922</u> | <u>\$ 688</u> | <u>\$ 3,080</u> | <u>\$ 1,911,900</u> | <u>\$ 1,102,958</u> | <u>\$ 6,556</u> | <u>\$ 5,482</u> | <u>\$ 10,687</u> | <u>\$ 3,154,273</u> |

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

| | Citizens Locate Office | Mental Disabilities Board of Visitors | Total |
|---|---------------------------|---|---------------------|
| PROGRAM EXPENDITURES & TRANSFERS-OUT | | | |
| Personal Services | | | |
| Salaries | 51,325 | \$ 110,184 | \$ 1,944,003 |
| Employee Benefits | 14,503 | 29,759 | 439,024 |
| Total | 65,828 | 139,943 | 2,383,027 |
| Operating Expenses | | | |
| Other Services | 1,689 | 9,397 | 251,667 |
| Supplies & Materials | 75 | 12,065 | 135,727 |
| Communications | 9,745 | 3,691 | 74,393 |
| Travel | | 14,462 | 95,122 |
| Rent | | 2,568 | 100,370 |
| Repair & Maintenance | 79 | 3,260 | 83,322 |
| Other Expenses | 185 | 2,525 | 81,568 |
| Total | 11,773 | 47,968 | 822,169 |
| Total Expenditures & Transfers-Out | 77,601 | \$ 187,911 | \$ 3,205,196 |
| EXPENDITURES & TRANSFERS-OUT BY FUND | | | |
| General Fund | 44,970 | \$ 180,214 | \$ 2,915,702 |
| Special Revenue Fund | 32,631 | 7,697 | 289,494 |
| Total Expenditures & Transfers-Out | 77,601 | 187,911 | 3,205,196 |
| Less: Nonbudgeted Expenditures & Transfers-Out | | | 12,038 |
| Prior Year Expenditures & Transfers-Out | | (20) | (2,651) |
| Actual Budgeted Expenditures & Transfers-Out | 77,601 | 187,931 | 3,195,809 |
| Budget Authority | 78,693 | 197,074 | 3,419,610 |
| Unspent Budget Authority | 1,092 | \$ 9,143 | \$ 223,801 |
| UNSPENT BUDGET AUTHORITY BY FUND | | | |
| General Fund | 32 | \$ 260 | \$ 88,435 |
| Special Revenue Fund | 1,060 | 8,883 | 135,366 |
| Unspent Budget Authority | 1,092 | \$ 9,143 | \$ 223,801 |

This schedule is prepared from the Statewide Budget.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

| | Executive Office Program | Mansion Maintenance Program | Air Transportation Program | Office Of Budget & Program Planning | Indian Affairs | Lieutenant Governor | Citizens Advocate Office | Mental Disabilities Board of Visitors | Total |
|---|--------------------------|-----------------------------|----------------------------|-------------------------------------|----------------|---------------------|--------------------------|---------------------------------------|------------------|
| PROGRAM EXPENDITURES & TRANSFERS-OUT | | | | | | | | | |
| Personal Services | | | | | | | | | |
| Salaries | \$ 815,382 | \$ 31,901 | \$ 32,815 | \$ 699,322 | \$ 68,406 | \$ 134,668 | \$ 51,325 | \$ 110,184 | \$ 1,944,003 |
| Employee Benefits | 178,872 | 9,067 | 2,915 | 162,746 | 17,027 | 24,135 | 14,503 | 29,759 | 439,024 |
| Total | <u>994,254</u> | <u>40,968</u> | <u>35,730</u> | <u>862,068</u> | <u>85,433</u> | <u>158,803</u> | <u>65,828</u> | <u>139,943</u> | <u>2,383,027</u> |
| Operating Expenses | | | | | | | | | |
| Other Services | 176,203 | 1,113 | 7,025 | 49,112 | 3,119 | 4,009 | 1,689 | 9,397 | 251,667 |
| Supplies & Materials | 39,340 | 26,590 | 31,252 | 15,733 | 5,392 | 5,280 | 75 | 12,065 | 135,727 |
| Communications | 41,706 | 415 | 1,324 | 8,793 | 4,157 | 4,562 | 9,745 | 3,691 | 74,393 |
| Travel | 54,728 | | 6,180 | 2,307 | 4,479 | 12,966 | | 14,462 | 95,122 |
| Rent | 52,588 | | | | 6,383 | 8,904 | | 2,568 | 100,370 |
| Repair & Maintenance | 7,517 | 10,806 | 56,956 | 3,130 | 534 | 1,040 | 79 | 3,260 | 83,322 |
| Other Expenses | 44,198 | 1,321 | 3,832 | 26,657 | 1,379 | 1,471 | 185 | 2,525 | 81,568 |
| Total | <u>416,280</u> | <u>40,245</u> | <u>106,569</u> | <u>135,659</u> | <u>25,443</u> | <u>38,232</u> | <u>11,773</u> | <u>47,968</u> | <u>822,169</u> |
| Total Expenditures & Transfers-Out | \$ 1,410,534 | \$ 81,213 | \$ 142,299 | \$ 997,727 | \$ 110,876 | \$ 197,035 | \$ 77,601 | \$ 187,911 | \$ 3,205,196 |
| EXPENDITURES & TRANSFERS-OUT BY FUND | | | | | | | | | |
| General Fund | \$ 1,170,484 | \$ 81,213 | \$ 133,854 | \$ 997,056 | \$ 110,876 | \$ 197,035 | \$ 44,970 | \$ 180,214 | \$ 2,915,702 |
| Special Revenue Fund | 240,050 | | 8,445 | 671 | | | 32,631 | 7,697 | 289,494 |
| Total Expenditures & Transfers-Out | <u>1,410,534</u> | <u>81,213</u> | <u>142,299</u> | <u>997,727</u> | <u>110,876</u> | <u>197,035</u> | <u>77,601</u> | <u>187,911</u> | <u>3,205,196</u> |
| Less: Nonbudgeted Expenditures & Transfers-Out | 11,367 | | | 671 | | | | | 12,038 |
| Prior Year Expenditures & Transfers-Out Adjustments | (4,341) | 584 | 39 | | 1 | 1,086 | | (20) | (2,651) |
| Actual Budgeted Expenditures & Transfers-Out | 1,403,508 | 80,629 | 142,260 | 997,056 | 110,875 | 195,949 | 77,601 | 187,931 | 3,195,809 |
| Budget Authority | 1,549,115 | 82,595 | 151,323 | 1,034,965 | 115,910 | 209,935 | 78,693 | 197,074 | 3,419,610 |
| Unspent Budget Authority | \$ 145,607 | \$ 1,966 | \$ 9,063 | \$ 37,909 | \$ 5,035 | \$ 13,986 | \$ 1,092 | \$ 9,143 | \$ 223,801 |
| UNSPENT BUDGET AUTHORITY BY FUND | | | | | | | | | |
| General Fund | \$ 28,739 | \$ 1,966 | \$ 508 | \$ 37,909 | \$ 5,035 | \$ 13,986 | \$ 32 | \$ 260 | \$ 88,435 |
| Special Revenue Fund | 116,868 | | 8,555 | | | | 1,060 | 8,883 | 135,366 |
| Unspent Budget Authority | <u>145,607</u> | <u>1,966</u> | <u>9,063</u> | <u>37,909</u> | <u>5,035</u> | <u>13,986</u> | <u>1,092</u> | <u>9,143</u> | <u>223,801</u> |

This schedule is prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2000

1. Summary of Significant Accounting Policies

Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental and Agency Funds. In applying the modified accrual basis, the office records:

- ▶ Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.
- ▶ Expenditures for valid obligations when the office incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include: entire budgeted service contracts even though the office receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

Accounts are organized in funds according to state law. The office uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Office Special Revenue Funds include activity associated with the Environmental Contingency Resource Indemnity Trust, Montana Consensus Council, Montana Rural Development Council, federal grants, and the State-Tribal Economic Development Council.

Notes to the Financial Schedules

Fiduciary Funds

Agency Fund - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. The Agency Fund includes monies held by the office's Mental Disabilities Board of Visitors on behalf of patients at the Montana State Hospital.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The office has authority to pay obligations from the statewide General Fund within its appropriation limits. The office expends cash or other assets from the statewide fund when it pays General Fund obligations. The office's outstanding liabilities exceed the assets it placed in the fund, resulting in negative ending General Fund balances for each of the fiscal years ended June 30, 1999 and 2000.

3. Expenditure Program (Sub-Class)

As part of the implementation of a new accounting system in fiscal year 1999-00, state officials determined that a sub-class designation would identify the program to which an expenditure should be charged. State officials did not require non-budgeted expenditure transactions to be identified to a sub-class. The program designations in the Schedule of Total Expenditures & Transfers-Out for the fiscal year ended June 30, 2000 are based on the sub-class designation used when the expenditures were recorded. The accounting system did not require agencies to code non-budgeted accounts with a subclass code identifying the expenditure program in which the activity occurred. This non-budgeted activity is included in the column titled Program (Sub-Class) Not Specified on the Schedule of Total Expenditures & Transfers-Out For the Fiscal Year Ended June 30, 2000.

4. Direct Entries to Fund Balance

Direct entries to fund balances in the General and Special Revenue funds in fiscal year 1999-00 include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

Similar transactions are reported in the General and Special Revenue funds as Cash Transfers in fiscal year 1998-99.

Notes to the Financial Schedules

The \$200,000 direct entry to fund balance amount in the General Fund in fiscal year 1999-00 and a corresponding amount in the Special Revenue Fund relates to a transfer of cash from the General Fund to the Special Revenue Fund to support the State-Tribal Economic Development Commission as outlined in Chapter 512, Laws of 1999.

Office Response

OFFICE OF THE GOVERNOR

MAR 13 2001

STATE OF MONTANA

JUDY H. MARTZ
GOVERNOR



STATE CAPITOL
PO Box 200801
HELENA, MONTANA 59620-0801

March 13, 2001

James Gillett
Deputy Legislative Auditor
Legislative Audit Division
PO Box 201705
Helena MT 59602-1705

Dear Mr. Gillett:

The following are the Governor's Office responses to the recommendations contained in the Office of the Governor and Lieutenant Governor.

Recommendation #1. We recommend the office comply with state regulations and not pay exempt employees for compensatory time balances upon termination.

Response: We disagree with the recommendation. Upon advice of the State Personnel Division and the Department of Administration, the Office concluded that an elected official has broad latitude in setting salaries for appointed staff, and state rules do not preclude an adjustment in pay for unused compensatory time balances.

Recommendation #2. We recommend the office pay non-exempt employees for overtime work.

Response: We agree with the recommendation. The Governor's Office reimbursed the employee for the overtime on February 9, 2001.

Recommendation #3. We recommend the office work with the Department of Administration to identify and implement cost-effective methods for processing payroll in accordance with federal and state withholding requirements.

Response: We concur with the recommendation.

Recommendation #4. We recommend the office deposit money in accordance with state law.

Response: We concur with the recommendation.

Recommendation #5. We recommend the office

- A.) Work with the Social Security Administration, the Railroad Retirement Board, and the U.S. Department of Veterans Affairs to resolve erroneous payments of representative payee benefit balances.
- B. Reconcile the patient ledger accounts and resolve all discrepancies.

Response: We concur with the recommendation. We have reconciled the patient ledger accounts and resolved the discrepancies. We are in the process of contacting the new representative payees to recover overpayments and disburse funds as necessary. The process will be completed by June 30, 2001.

Recommendation #6. We recommend the office comply with state law relating to board appointments and requests for privatization review.

Response: We concur with the recommendation. The Governor's Office will begin the process of appointing members of the three boards mentioned in the audit. The Office of Budget and Program Planning will submit the required privatization request.

Recommendation #7. We recommend the office comply with policies and procedures established by the Department of Administration to control purchasing card use.

Response: We concur with the recommendation.

Sincerely,



ED BARTLETT
Chief of Staff



